

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6855

BILL NUMBER: HB 1161

NOTE PREPARED: Dec 30, 2010

BILL AMENDED:

SUBJECT: Tax Withholding.

FIRST AUTHOR: Rep. Lutz

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill requires Adjusted Gross Income Tax and Local Option Income Tax withholding from pari-mutuel horse racing purse money, purse supplements, and breed development awards paid in amounts exceeding \$1,200 to a nonresident taxpayer. The bill specifies filing and refund procedures with respect to taxes withheld from winnings, horse racing payments, gambling winnings, charity gaming prizes, and lottery prizes.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Indiana Horse Racing Commission (IHRC):* The bill requires withholding of state and local income tax on breed development awards exceeding \$1,200 received by nonresident taxpayers (see *Explanation of State Revenues*). This requirement would result in an administrative impact on the IHRC, but the IHRC should be able to implement the requirement within its current level of resources. In CY 2010, a total of 2,787 breed development awards were given out by the IHRC. The number of breed development awards paid to nonresident taxpayers is unknown.

Explanation of State Revenues: *Withholding on Horse Racing Purses and Awards:* The bill requires withholding of state and local income taxes from purse money, purse supplements, or breed development awards exceeding \$1,200 paid to a nonresident taxpayer after June 30, 2011. The withholding would have to be done by the IHRC with respect to breed development awards and by the horse racetracks with respect to purses and purse supplements. In CY 2009 a total of \$28.6 M was paid in purses, purse supplements, and breed development awards. Data is unavailable at this time showing the number of nonresident taxpayers receiving purses, purse supplements, and breed development awards, and the amounts received. This provision could potentially result in a revenue increase, but any increase would depend on several factors:

- (1) the number of nonresidents receiving purses, purse supplements, and breed development awards in a year and the amounts received;
- (2) the amounts received by nonresidents for which state and local income taxes are not paid; and
- (3) the amounts that would ultimately be taxable after deductions for expenses are taken against the purse or award amounts.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Withholding on Horse Racing Purses and Awards: See Explanation of State Revenues.*

State Agencies Affected: DOR; IHRC.

Local Agencies Affected:

Information Sources: Jessica Barnes, Indiana Horse Racing Commission, (317) 233-3120. Revenue Technical Committee forecast, December 15, 2010. Indiana Horse Racing Commission, *2009 Annual Report*, <http://www.in.gov/hrc/2335.htm>.

Fiscal Analyst: Jim Landers, 317-232-9869.